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FISCAL IMPACT STATEMENT

LS 6870

BILL NUMBER: SB 275

NOTE PREPARED: Feb 14, 2012

BILL AMENDED: Jan 30, 2012

SUBJECT: Real Estate Brokers.

FIRST AUTHOR: Sen. Merritt

FIRST SPONSOR: Rep. Davis

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill has the following provisions:

Eliminates Salesperson, Certifies Principal Brokers- The bill eliminates, after June 30, 2014, the license for real estate salespersons and the designation of principal real estate brokers.

Prohibition- The bill prohibits after June 30, 2014, an individual who holds a salesperson's license from performing certain acts as a salesperson without obtaining a broker's license.

Requirements for Broker's License On or After 6/30/2012- The bill establishes, for individuals who hold a salesperson's license on or after June 30, 2012, certain requirements to obtain a broker's license.

Requirements for Managing Broker's After 6/30/2014- The bill requires, after June 30, 2014, a person to meet certain requirements before the person may become a managing broker.

REEAC Members- The bill changes the appointment of members to the Real Estate Education Advisory Council (REEAC).

Definition of Commercial Real Estate- The bill amends the definition of "commercial real estate".

Three-Year License- The bill provides that broker's licences are issued for three years. (Currently licenses are issued for two years.)

Revisions to Education Requirements- The bill revises education and continuing education requirements.

Conforming Changes- The bill makes conforming changes.

Effective Date: July 1, 2012; July 1, 2014.

Explanation of State Expenditures: Summary- The Professional Licensing Agency (PLA) already certifies principal and associate real estate brokers. Any changes to the administrative workload of PLA realtor staff would hinge on the number of persons, applying for a license to be a broker, that are able to complete the requirements set out in the bill. However, more strenuous requirements to become a broker could reduce the number of applicants in future years, which would reduce the administrative workload of PLA staff. Additionally, there could be some expenditure savings if the PLA no longer produces pocket cards for salespersons that had ordered them.

Three-Year License- The bill would give the broker license a three-year validity period instead of the current two-year period. It is possible that the additional year could spread out some of the administrative workload of license renewal for PLA staff.

(Revised) *REEAC Members-* This provision would reduce the number of persons appointed by the Real Estate Commission (REC) to the Real Estate Education Advisory Council (REEAC) from seven to five. The REC would be given the authority to approve all prelicensing and continuing education courses as recommended by the REEAC. The REC would be able to develop or approve continuing education requirements within their existing schedule of meetings. The REC would have the option to adopt rules to govern the education, including prelicensing, post licensing, and continuing education. The REC would have the option to grant “referral status” to a salesperson in order to continue to make referrals to a licensed broker after July 1, 2014. A salesperson’s license that is in referral status after June 30, 2014, would become a broker’s license. The REC is scheduled to meet eight times during 2012.

Background Information- As of September 13, 2011, there were 22,101 salespersons, 5,073 associate brokers, and 8,327 principal brokers actively licensed by the PLA.

Explanation of State Revenues: Summary- The bill does not change existing licensing fees. However, the elimination of the salesperson would, in effect, eliminate the \$35 license fee currently charged to salespersons. However, if more brokers were to be licensed as a result of the bill, license fee revenue would increase. (Brokers are currently charged a fee of \$60 for a license.) The change from a two-year to a three-year validity period would also factor in the timing, at least initially, of revenues received. It is uncertain if the net effect of these actions would ensure an increase or decrease in state revenues.

Similarly, the effect of the bill on the Real Estate Recovery Fund (RERF), which currently has a charge of \$4.25 per license, is unknown. The bill would also, in effect, eliminate transfer fees of \$10 per license for salespersons.

Penalty Provision: The bill would remove the Class A infraction penalty for acting as a salesperson without a license. The maximum judgment for a Class A infraction is \$10,000. Infraction judgements are deposited in the state General Fund. However, the potential revenue loss would likely be small.

Background Information- For FY 2011, real estate licensing fees generated \$980,976. The FY 2010 collections totaled \$799,663. Generally, odd-years tend to generate more revenue for this license.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Penalty Provision:* If fewer court actions occur and a guilty verdict is entered, local governments would receive less revenue from court fees. However, any change in revenue would likely be small.

State Agencies Affected: Professional Licensing Agency; Real Estate Commission; Real Estate Education Advisory Council.

Local Agencies Affected: Trial courts, local law enforcement agencies.

Information Sources: *Indiana Handbook of Taxes, Revenues, and Appropriations, FY 2011 edition;* Professional Licensing Agency active license count, 9/13/2011; Professional Licensing Agency website: www.in.gov/pla.

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